

# Financial Crises : Their Causes and Effects.

by Henry C. Carey.

Philadelphia : Henry Carey Baird, Industrial  
Publisher,  
no. 406 Walnut Street.  
1864.

## LETTER SEVENTH.

DEAR SIR.—The essential object of the British system, as you have already seen, is the suppression, in every country of the world, outside of Britain, of that diversity of human employments, without which there can be made no single step toward freedom. The more that object can be achieved, the more must other nations be compelled to export their products, and in their rudest shape, to Britain—doing so in direct opposition to the advice of Adam Smith.—This is what is called British free trade, the base of which is found in that annihilation of domestic commerce, whose effects exhibit themselves in the poverty, wretchedness, and crime of India, Ireland, Turkey, and other countries subjected to the system, all of which are so well reproduced among ourselves in every British free trade period. Real freedom of commerce consists in going where you will—exporting finished commodities to every portion of the world. Seeking that freedom, the most eminent French economists, as you have already seen, have held that it was “only the accomplishment of a positive duty” for governments “so to act as to favor the taking possession of all the branches of industry whose acquisition is favored by the nature of things,” and that when they failed to do so, they made “a great mistake.”

In full accordance with the idea thus expressed, the French Government has adhered to the policy of protection with a steadiness without example—the great result exhibiting itself in an export of the products of agriculture, in a finished form, such as can nowhere else be found. Thus protecting domestic commerce, the government finds itself repaid in the power to obtain revenue from a foreign commerce that has quadrupled in the short space of thirty years—the \$100,000,000 of 1830 having been replaced by the almost \$400,000,000 of each of the last three years—the population meantime having remained almost stationary. As a consequence of this the reward of labor has much increased, the people

have become more free, and the State has grown in influence with a rapidity unknown elsewhere.

That it is to industrial development we are to look for the creation of a real agriculture, can now be no longer doubted—the Emperor having, in his recent letter, told his finance minister, that “without a prosperous industry agriculture itself remains in its infancy;” that “it is necessary to liberate industry from all internal impediments,” and thereby “improve our agriculture;” and that in so doing the government will be “creating a national wealth” and diffusing “comforts among the working-classes.”

Nothing more accurate than this could have been said by the great Colbert himself—the man to whose labors France was first indebted for the relief of her domestic commerce from the pressure of internal restrictions and external warfare. Compare it, however, I pray you, with our policy, erroneously styled the free trade one, every portion of which seems to have had for its object the creation of impediments to domestic commerce, and the subjugation of our farmers to the tyranny of foreign traders. Look, if you please, to the almost endless series of laws having for their object the compulsory use of gold and silver, in a country which exports the precious metals to such extent as to have driven our people, throughout a large extent of country, to the payment of three, four, and five per cent per month, for the use of the small amount of money which, even at such rates, can be obtained. Turn next to the postage law proposed by your Southern free trade friends, at the last session, by means of which the charge for the transmission of letters was to be almost doubled. Study then the constant succession of free trade crises, by means of which our domestic commerce has been so often paralyzed. Pass on, and find the closing of furnaces and mills, followed by constant increase of difficulty in the sale of labor—constantly growing pauperism and crime—and as constant increase of that dependence upon foreign markets which has, in every other country, been attended by growth of slavery among men, whether black, brown, or white. Look where you may, you will find the system of which you have been the steady advocate, leading to the adoption of measures

directly opposed to the teachings of Adam Smith and those of his most distinguished successors, here endorsed by Louis Napoleon.

Turn next to another passage of the imperial letter, and find in it that agriculture must have “its share in the benefits of the institutions of credit,” and that the government must “devote annually a considerable sum to works of drainage, irrigation, and clearage.” Having read this, study, if you please, the proceedings of your free trade friends, constantly engaged as they have been, in the effort to destroy the credit of banks, and to prevent the substitution of paper for gold—and thus so far destroying confidence, that tens of millions of specie are now hoarded in private vaults by men who dare not spend it, and fear to lend it at any interest whatsoever.—Turn, thence, to the condition of our treasury, and contrast it with that of France—the latter proposing to lend money to the people at low interest, while the former is constantly in the market as a borrower, and at higher rates of interest than are paid by any government that claims to rank as civilized.

Pass next to manufactures, and find the Emperor telling his minister that, “to encourage industrial production, he must liberate from every tax all raw material indispensable to industry,” and that he must “allow it, exceptionally, and at a moderate rate, as has already been done for agriculture, the funds necessary to perfect its raw material”—meaning thereby, as I understand it, further grants of aid similar to those which have resulted in improving the breed of sheep, and in giving to French agriculture many products not native to the soil, and yet essential to the perfection of manufactures.—Having studied this, allow me next to request that you will examine the teachings of the author of the tariff of 1846—the tariff you have so steadily admired—and find him protesting against the imposition of “higher duties upon the manufactured fabric than upon the agricultural product out of which it is made.” Examine, then, his tariff, and find in it a systematic effort at the discouragement of industrial production by the imposition of heavy duties on the raw material of manufactures—sometimes so great, even, as to exceed those paid by the finished commodities for the production of which they were

needed to be used. That done, look next at the repeated efforts of private individuals to improve our breed of sheep, and at the ruin that has been the consequence—that ruin having resulted necessarily from changes of policy that have closed our factories and sent merinos to the slaughter-house. Look in what direction you may, you will find that, with the exception of the brief and brilliant period of the tariff of 1842, the men engaged in the development of our great mineral treasures, and those engaged in introducing, extending, and perfecting works of conversion, and thereby giving the farmer a market for his products, have been regarded as enemies, deserving only of the hatred of the government; as men for the accomplishment of whose ruin fraud and falsehood might justly be resorted to—the holiness of the end sanctifying the employment of any means that might be used.

Adopting these ideas, the Emperor assures his minister that he will find in them the road toward real freedom of trade—the great extension of commerce producing a necessity for “successive reductions of the duty on articles of great consumption, as also the substitution of protecting duties for the prohibitive system which limits our commercial relations.”—Having read this, do me the favor to turn to the period of the protective tariff of 1828, and find there precisely the state of things here described—the great increase of revenue having then produced a necessity for abolishing the duties that had always thus far been paid by tea and coffee. Look, next, to the working of that dispersive system, which scatters our population over the continent, and destroys the power of combination—at one moment filling the treasury to repletion by means of custom-house receipts and sales of public lands, and then leaving it bankrupt, to seek, as was done in 1842, and is now being done, for loans abroad, to keep the wheels of government in motion until the tariff can be raised.

The policy of the French Government was accurately defined, some three or four years since, by the President of the Council, and there is nothing in the Emperor’s letter that is not in strict accordance with the determination then expressed, as follows:

“The Government formally rejects the principle of free trade, as incompatible with the independence and security of a great nation, and as destructive of her noblest manufactures. No doubt, our customs-tariffs contain useless and antiquated prohibitions, and we think they must be removed. Protection, however, is necessary to our manufactures. This protection must not be blind, unchangeable, or excessive; but the principle of it must be firmly maintained.”

We are told, however, that a treaty has been signed, in which there are great advances toward freedom of trade. If so, it does but prove the perfect accuracy of M. Chevalier, who is said to have been the French negotiator, in regarding protection of the domestic commerce as the real and certain mode of reaching freedom of intercourse with foreign nations. “In every country,” as he has told his readers, “there arises a necessity for acclimating among its people the principal branches of industry”—agriculture alone becoming insufficient. “Every community, considerable in numbers, and occupying an extensive territory,” is therefore, as he thinks, “well inspired, when seeing to the establishment, among its members, of diversity in the modes of employment. From the moment that it approaches maturity, it should seek to prepare itself therefor, and when it fails to do so, it makes a great mistake.” This “combination of varied effort,” as he continues, “is not only promotive of general prosperity, but it is the condition of national progress.” Elsewhere, he says, that “governments are, in effect, the personification of nations, and it is required that they should exercise their influence in the direction indicated by the general interest, properly studied and carefully appreciated.” Therefore does he “regard as excellent, the desire of some of the most eminent men of the principal nations of Europe to establish around them the various branches of manufactures.”

Such being the latest views of the present leading free-trade writer of France, we may, I think, feel quite assured that what he may now have done, is only what he has regarded as warranted by the advanced position occupied by French manufactures—that position having been

attained by means of a steady pursuit of the protective policy. It is the point at which we have ourselves arrived in reference to every branch of manufacture that has found itself efficiently protected in the domestic market, whether by the particular circumstances of the case, or by aid of revenue laws. More steadily than to any other, was protection given to the production of coarse cottons, and hence it is, that we now export them. The newspaper is protected by locality, and that protection is absolute and complete; and hence it is, that we have now the cheapest journals in the world. The piano manufacture is protected by climate; and therefore it is, that it has attained a development exceeding that of any other country. Had iron been as well protected, our annual product would count by millions of tons, and we should be now exporting, in the forms of iron, and manufactures of iron, a quantity of food twice greater than that we send to Europe. All our experience shows, that the more perfect the security of the manufacturer in the domestic market, the greater is the tendency to that increase of competition needed for enabling us soon to commence the work of supplying the exterior world.

In your notice of the changes now proposed in the French commercial system, you speak in terms of high approval of Mons. Chevalier, as a “zealous adversary of commercial restrictions,” but have you ever, my dear sir, taught the doctrines of the teacher of whom you now so much approve? Have you ever told your readers,—

That “every community is well-inspired when seeing to the establishment among its members, of diversity in the modes of employment”?

That “combination of varied effort is the condition of national progress”?

That “every nation, therefore, owes it to itself to seek the establishment of diversification in the pursuits of its people, as Germany and England have already done in regard to cottons and woollens, and as France has

done in reference to so many, and so widely-different kinds of manufacturing industry”?

That a governments are in effect the personification of nations, and should exercise their influence in the direction of the general interest, properly studied and fully appreciated”? And, therefore

That “it is only the accomplishment of a positive duty so to act, at each epoch in the progress of a nation, as to favor the taking possession of all the branches of industry whose acquisition is authorized by the nature of things”?

Unhappily, such have not been the teachings of the Post. Had they been such-had your journal sustained the policy advocated by Mons. Chevalier, as here established at the date of the fearful financial crisis of 1842, should we not, even at this time, have been far advanced toward that position in which we could feel that protection would cease to be required? Unfortunately, it has taught the reverse of this the results exhibiting themselves in a constant succession of financial crises, and paralyses of the most fearful kind—in repeated bankruptcies of the treasury, of banks, railroad companies, and merchants—in an almost entire destruction of confidence—in the subjugation of the poor borrower to the rich money-lender, to an extent unparalleled in any civilized country of the world-and in a growth of pauperism, slavery, and crime, that must be arrested if we would not see a perfection of anarchy established as being the condition of our national existence.

Had you and others taught the doctrines of M. Chevalier, would such be now the state of things in a country so richly endowed by nature as our own?

Not having taught them, and such having been the results of your past teachings, is it not now your duty, as a man, as a lover of liberty, and as a Christian, to study anew the doctrines of the economist you have so much commended, and satisfy yourself that you have been steadily



advocating the extension of slavery while desiring to be the advocate of freedom?

Hoping that you may conclude to furnish answers to these questions, and reiterating the assurance that they shall have the largest circulation among the advocates of protection, I remain, my dear sir,

Yours, very truly,  
Henry C. Carey.

W.C. Bryant, esq.

Philadelphia, *February* 14, 1860.

#### LETTER ELEVENTH.

*From the Evening Post, Tuesday, Feb. 28.*

“ An Example of the Effect of Protection.—Among the commodities which have hitherto not been permitted to be brought into France from foreign countries is cutlery. It is now included in the list of merchandize to which the late treaty with Great Britain opens the ports of France.

“ Those who have made a comparison of French cutlery with the cutlery of the British islands must have been at first surprised at the difference in the quality. Nothing can exceed the perfection of workmanship in the articles turned out from the workshops of Sheffield. The symmetry and perfect adaptation of the form, the excellence of the material, the freedom from flaws, and the mirror-like polish which distinguish them, have for years past been the admiration of the world. French cutlery,

placed by its side, has a ruder, rougher appearance, an unfinished look, as if the proper tools were wanting to the artisan, or as if it was the product of a race among whom the useful arts had made less progress.

“ This is not owing to any parsimony of nature, either in supplying the material to be wrought or the faculties of the artisan who brings it to a useful shape. The ores of the French mines yield metal of an excellent quality, and the French race is one of the most ingenious and dexterous in the world. In all manufactures requiring the nicest precision and the greatest delicacy of workmanship the French may be said to excel the rest of mankind. Out of the most unpromising and apparently intractable materials their skilful hands fabricate articles of use or ornament of the most pleasing and becoming forms. What, then, is the reason that their cutlery is so much inferior to that of Great Britain?

“In all probability the reason is that which at one time caused the silk trade to languish in Great Britain, which at one time made the people of the same country complain that their glass was both bad in quality and high in price. In both these instances the competition of foreign artisans was excluded; the British manufacturer having the monopoly of the market, there was nothing to stimulate his ingenuity; he produced articles of inferior quality, his vocation did not flourish, and both he and the community were dissatisfied. So with regard to the cutlery of France, the difficulty has been the prohibition of the foreign article. Let the foreign and the French commodity be looked at side by side for a few years in the shop-windows of Paris, if the duty to which cutlery is still to be subject will permit it, and we think we may venture to pledge ourselves that the French workmen will show themselves in due time no way behind their English rivals. We may expect the same result to take place which has so much astonished and puzzled the friends of protection in Sardinia, where the removal of prohibitions and protective duties has caused a hundred different branches of manufacturing industry to spring to sudden and prosperous activity.”

DEAR SIR:—Anxious that all the protectionists of the Union should, as far as possible, have it within their power to study both sides of this question, I here, as you see, lay before my readers your latest argument against protection, thereby affording them that opportunity of judging for themselves which you so systematically deny to the readers of the Post. Why is it that it is so denied? Is it that the British system can be maintained in no other manner than by such concealment of great facts as is here so clearly obvious? While enlarging upon the deficiencies of French cutlery, as resulting from protection, was it necessary to shut out from view the important fact, that under a protective system more complete, and more steadily maintained, than any other in the world, France has made such extraordinary progress in all textile manufactures, that she now exports of them to the extent of almost hundreds of millions of dollars annually—supplying them at home and abroad so cheaply, that she finds herself now ready to substitute protective duties for the prohibitions which have so long existed? Would it not be far more fair and honest were you to give your readers all the facts, instead of limiting yourself to the few that can be made to seem to furnish evidence of the truth of that system to which you are so much attached, and to which we are indebted for the financial crises whose ruinous effects you have so well described?

Why is it that the French people, while so successful with regard to silks and cottons, are so deficient in respect to the production and manufacture of the various metals? The cause of this is not, as you tell your readers, to be found in “the parsimony of nature,” and yet, it is a well-known fact, that while the supply of coal and iron ore is very limited, others of the most useful metals are not to be found in France. This, however, is not all, the “parsimony of nature” which, notwithstanding your denial of it, so certainly exists, being here accompanied by restrictions on domestic commerce of the most injurious kind, an account of which, from a work of the highest character, will be found in the following paragraph:

“ By the French law, *all minerals of every kind belong to the crown, and the only advantage the proprietor of the soil enjoys, is, to have the refusal of the mine at the rent fixed upon it by the crown surveyors.* There is great difficulty sometimes in even obtaining the leave of the crown to sink a shaft upon the property of the individual who is anxious to undertake the speculation, and to pay the rent usually demanded, a certain portion of the gross product. The Comte Alexander de B—— has been vainly seeking this permission for a lead-mine on his estate in Brittany for upwards of ten years.”

Having read this, you cannot but be satisfied that it accounts most fully for French deficiencies in the mining and metallurgic arts. That such was the case, you knew at the time you wrote your article, or you did not know it. If you did, would it not have been far more fair and honest to have given all the facts? If you did not, is it not evident that you have need to study further, before undertaking to lecture upon questions of such high importance?

Turning now from French cutlery to British glass, I find you telling your readers that the deficiency in this latter had been “in all probability” due to the fact, that “the competition of foreign artisans” had been so entirely excluded. On the contrary, my dear sir, it was due to restrictions on internal commerce, glass having been, until within a few years past, subjected to an excise duty, yielding an annual revenue of more than \$3,000,000. To secure the collection of that revenue, it had been found necessary to subject the manufacturer to such regulations in reference to his modes of operation as rendered improvement quite impossible. From the moment that domestic commerce became free, domestic competition grew, bringing with it the great changes that have since occurred. That such is the case, is known to all the world, and yet I find no mention of these important facts in this article intended for the readers of the Post. Would they not, my dear sir, be better instructed, were you to permit them to see and read both sides of this great question?

What has recently been done with British glass, is precisely what was sought to be done in France by Colbert and Turgot, both of whom saw in the removal of restrictions upon internal commerce the real road to an extended intercourse with other nations of the world. With us, the great obstacle standing in the way of domestic commerce, is found in those large British capitals which, as we are now officially informed, constitute “the great instruments of warfare against the competing capitals of other countries, and are the most essential instruments now remaining by which the manufacturing supremacy” of England “can be maintained;” and in protecting our people against that most destructive “warfare,” we are but following in the direction indicated by the most eminent French economists, from Colbert to Chevalier. France has protected her people, and therefore is it, that agricultural products are high in price, while finished commodities are cheap, and that the country becomes more rich and independent from year to year. We refuse to grant protection, and therefore do we sink deeper in colonial vassalage from day to day.

Foreign competition in the domestic market is, however, as we here are told, indispensable to improvement in the modes of manufacture. This being really so, how is it, my dear sir, that France has so very much improved in the various branches, in which foreign competition has been so entirely *prohibited*? How is it, that Belgium and Germany have so far superseded England in regard to woollen cloths? How is it, that American newspapers have so much improved, while being cheapened? Have not these last an entire monopoly of the home market? Would it be possible to print a *Tribune*, or a *Post*, in England, for New York consumption? Perfectly protected, as you yourself are, is it not time that you should open your eyes to the fact that it is to the stimulation of domestic competition for the purchase of raw materials, and for the sale of finished commodities, we must look for any and every increase in the wealth, happiness, and freedom of our people?

The more perfect the possession of the domestic market, the greater is the power to supply the foreign one—the *Tribune* being enabled to

supply its distant subscribers so very cheaply, for the reason that it and its fellows have to fear no competition for home advertisements from the *London Times*, or *Post*. “This principle,” as you yourself have most truly said,

“Is common to every business. Every manufacturer practises it, by always allowing the purchaser of large quantities of his surplus manufacture an advantage over the domestic consumer, for the simple reason that the domestic consumer must support the manufacturer, and as the quantity of goods consumed at home is very much larger than that sent abroad, it is the habit of the manufacturer to send his surplus abroad, and sell at any price, so as to relieve the market of a surplus which might depress prices at home, and compel him to work at little or no profit.”

Admitting now that it were possible for the *London Times* to supply, on every evening, a paper precisely similar to yours—forcing abroad the surplus, and selling “at any price, so as to relieve the domestic market,” would you not be among the first to demand protection against the system? Would you not assure your readers of the entire impossibility of maintaining competition against a journal, all of whose expenses of composition and editorship were paid by the home market—leaving its proprietors to look abroad for little more than the mere cost of paper and of presswork? Would you not demonstrate to them the absolute necessity of protecting *themselves* against a “warfare” that must inevitably result in the creation of a “little oligarchy” of monopolists who, when domestic competition had been finally broken down, would compel them to pay ten cents for a journal neither larger nor better than they now obtain for two? Assuredly, you would.

Addressing such arguments to your British free trade friends, they would, however, refer you to the columns of the *Post*, begging you to study the assurance that had there been given, that—

“Whenever the course of financial fluctuation shall have broken the hold of monopolists and speculators upon the mines of iron and coal, which

the Almighty made for the common use of man, and whenever there shall be men of skill and enterprise to spare to go into the business of iron-making for a living, and not on speculation, who shall set their wits at it to find out the best ways and the cheapest processes, it must be that such an abundance both of ore and fuel can be made to yield plenty of iron, in spite of the competition of European ironmasters who have to bring their products three thousand miles to find a market.”

To all this you would, of course, reply, that “financial fluctuations” created monopolies, and never “broke their hold;” that men of “skill and enterprise” were not generally rich enough to compete with such rivals as the *London Times*; that domestic competition had already given us “cheaper ways and cheaper processes” than any other country of the world; that the freight of a sheet of paper was as nothing compared with the cost of editorship and composition; that all these latter costs were, in the case of the British journals, paid by the domestic market; that “the domestic consumers supported the British manufacturer;” that, the quantity of journals consumed at home was so very great that their producers could afford to sell abroad “at any price”—thereby “relieving the market of a surplus which might depress prices at home, and compel them to work at little or no profit;” and that, for all these reasons, it was absolutely necessary to grant you such protection as would give you the same security in the domestic market as was then enjoyed by your foreign rivals?

Would not all this be equally true if said to-day of our producers of cloth and iron, coal and lead? Does the policy you advocate tend to place them in a position successfully to contend with those British manufacturers who “voluntarily incur immense losses, in bad times, in order to destroy foreign competition, and to gain and keep possession of foreign markets”? Can they resist the action of the owners of those “great accumulations of capital” which have been made at our cost, and are now being used to “enable a few of the most wealthy capitalists to overwhelm all foreign competition in times of great depression”—thereby largely adding to their already enormous fortunes, “before

foreign capital can again accumulate to such extent as to be able to establish a competition in prices with any chances of success”? Can it be to the interest of any country to leave its miners and manufacturers exposed to a “warfare” such as is here officially declared? Do not they stand as much in need of protection, for the sake of the consumers, as you would do in the case supposed? Does not your own experience prove that the more perfect the security of the manufacturer in the domestic market, the greater is the tendency to that increase of domestic competition which tends to increase the prices of raw materials, while lessening the cost of cloth and iron? Do not men, everywhere, become more free, as that competition grows, and as employments become more diversified? Is not, then, the question we are discussing, one of the freedom and happiness of your fellow-men? If so, is it worthy of you to offer to your readers such arguments as are contained in the article above reprinted?

Holding myself, as always heretofore, ready to give to my readers your replies to the questions I have put, I remain, my dear sir,

Yours, very truly,  
HENRY C. CAREY.

W.C. BRYANT, Esq.

PHILADELPHIA, *March* 13th, 1860.